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The challenge of institutionalizing organizational renewal

A case study of Equity Bank

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Introduction

Strategy and change management researchers have tried to understand why some firms are able to renew themselves and respond to environmental changes that threaten their viability. Organizational renewal is particularly important in uncertain environments characterized by frequent and discontinuous changes. However, in spite of the challenges in the African environment, little is known about how organizations anticipate and/or respond to environmental shifts on the African continent. Given the high level of uncertainty and complexity of these countries, a study on organizational renewal in the African context should provide many insights for researchers and managers.

Africa's GDP growth averaged 3.3% between 2010 and 2015 (McKinsey Global Institute, 2016). According to George, Corbishley, Khayesi, Haas, and Tihanyi (2016: 377) much of this growth is driven by emerging consumer markets, investments in infrastructure, technological leap-frogging, and the opening up of new markets. Information and computing technology has created huge opportunities for growth. It is projected that by 2025 half of the population will have internet access. Research by The Economist shows that mobile phones are revolutionizing Africa. The number of active mobile phones is about 1 billion. Mobile telephony has enabled financial inclusion and created whole new industries on the continent.

In spite of the economic growth, the environment remains volatile and uncertain. It is not surprising that in this environment the rate of small business failure is high (Marlow, 2005 cited in Adisa, Abdulraheem, and Mordi, 2014: 2). South Africa is said to have the highest failure rate of small businesses in the world (George et al., 2016). The environment is particularly harsh on small businesses who are less likely to have the resources to neutralize the effects of environmental disincentives (Ibeh, 2003). Yet small businesses play a pivotal role in the economic development of any country. They employ a large majority of the population and can be a source of innovative products and services.

George et al. (2016: 377) opine that the greatest challenge of African countries is the persistence of what Palepu and Khanna (2010: 16) called institutional voids. The latter identified three such voids in emerging markets: absent or unreliable sources of market information, an uncertain regulatory environment, and inefficient judicial systems. These voids negatively affect the ease of

doing business in Africa. For example, uncertain regulatory environment creates huge challenges for organizations in Africa and demand frequent and adequate responses if these organizations are to survive (Ovadje, 2014: 1). They must reconfigure existing resources and create new ones that enable them win in a constantly changing environment (Jurksiene and Pundziene, 2016: 433). Not many organizations have been able to do this successfully, if we go by the failure rate of small businesses in Africa. Few family businesses have been able to move successfully to the second generation.

One organization that has renewed itself and survived in this rapidly changing environment is Equity Bank. In 1993, Equity was moribund: it had total losses of 33 million Ksh and a non-performing loan portfolio of 54%. It was to be shut down by the Central Bank of Kenya. Instead, the latter asked Equity to hire a change agent (he later became the CEO) and implement change. By 2015, Equity Bank was the most profitable bank in Kenya. It had subsidiaries in five African countries, total assets of 341,329 million Ksh (ranked second in Kenya), and a profit after tax of 22,288 million Ksh. How did Equity achieve this feat in an uncertain and volatile environment?

In this chapter we discuss organizational renewal in Africa. First, we review the literature on dynamic capabilities and ambidexterity. This review provides the theoretical framework for understanding the case study we present in the next section of the chapter. The case is of an African organization that is constantly renewing itself, and is thriving. We describe how Equity Bank has transformed itself since its foundation in 1984.

Equity Bank built organizational renewal into its culture; it expects to disrupt itself every ten years. It has developed dynamic capabilities for sensing the environment and seizing the opportunities (Teece, 2007). Equity combines exploratory and exploitative innovation to meet its environmental challenges (Jurksiene and Pundziene, 2016: 437). We describe how Equity Bank achieves ambidexterity and the enablers of ambidexterity. The chapter closes with a discussion of the findings and the implications for managers in Africa, who must constantly renew their organizations to survive and thrive in their uncertain and often volatile environments.

Theoretical framework

The Resource Based View is a theoretical framework for understanding competitive advantage among firms (Eisenhardt and Martin, 2000). Organizations are viewed (conceived of) as bundles of resources which are unevenly distributed among firms. Those organizations that possess resources which are valuable, rare, inimitable, and non-substitutable (VRIN) can achieve sustainable advantage over other firms. Research suggests that having this stock of resources is a source of advantage in relatively stable environments (Barney, 1986).

An organization may have developed capabilities which enable it to thrive in a stable environment: it has a strategy which is well aligned to the culture, structure, and processes (O'Reilly and Tushman, 2016). This fit or alignment makes it possible to outperform competitors. However, in dynamic contexts where change is often radical, fit may lead to rigidities, the inability to adapt to change which could lead to the demise of the organization (Hatum, Pettigrew, and Michelini, 2010: 258). In developing countries, it may be particularly necessary that organizations develop capabilities that enable them thrive in uncertain macro-economic, political, and social environments. In such unpredictable, changing environments, having a stock of VRIN resources may not be enough to achieve competitive advantage. In markets where the competitive landscape is shifting, dynamic capabilities become the source of sustained competitive advantage (Eisenhardt and Martin, 2000: 1106).

Teece, Pisano, and Shuen (1997: 516) define dynamic capabilities as "the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments". Capabilities which are VRIN must be refreshed in changing environments (Ambrosin and Bowman, 2009) if the organization is to sustain competitive advantage. It must

create new resources, or alter the resource mix in order to realign with the shifting environment (Teece et al., 1997). In environments characterized by shocks, where there are unknown unknowns, dynamic capabilities are most relevant (Teece and Leih, 2016).

Hatum et al. (2010), in their study on building organizational capabilities, identified five capabilities required to adapt under turmoil: diversity of top management, decentralization and de-formalization of decision making process, low macroculture embeddedness, environmental scanning, and strong organizational identity. Teece (2007: 1336) argued that to sustain dynamic capabilities, decentralization is important as it brings top management closer to new technologies, the customer, and the market.

Chang, Chang, Chi, Chen, and Deng (2012: 442) argue that some capabilities are essential for radical innovation: a firm's ability to explore, adapt, tolerate, and experiment with new products, processes, and services for non-mainstream businesses. They identified four radical innovation capabilities: *Openness capability* (willingness to explore); *strategic integration capability* (alignment, adaptation, or ambidexterity); *autonomy capability* (tolerance of creativity and differences); and *experimentation capability* (ability to learn and probe).

Teece (2007: 1319) identified three elements of dynamic capabilities: sensing and shaping opportunities and threats, seizing opportunities, and maintaining competitiveness through enhancing or re-configuring the organization's intangible and tangible assets. Sensing involves environmental scanning, exploration, and learning. Entrepreneurs and managers try to figure out how to interpret new events and developments (Teece (2007: 1322). Senior managers must be able to accurately *sense* changes in their competitive environment, including potential shifts in technology, competition, customers, and regulation (Harreld, O'Reilly, and Tushman, 2007: 24).

Seizing opportunities involves the development of new products and processes, design of new business models, the establishment of new decision rules, and resource allocation processes. To seize opportunities, managers must be detached from current decision rules and be open to new ones.

The third category of dynamic capabilities is reconfiguration. According to Teece (2007: 1335), this is key to sustained profitable growth. It is the ability to recombine and reconfigure assets and organizational structures as the organization grows and as markets and technologies change. As the environment changes, organizations must learn new skills and reallocate resources. Sustained competitive advantage comes from the firm's ability to leverage and reconfigure its existing competencies and assets in ways that are valuable to the consumer but difficult for competitors to imitate (Harreld et al., 2007: 24). Thus, dynamic capabilities provide insights to managers about how they become more effective in adapting to discontinuous change (Birkinshaw, Zimmermann, and Raisch, 2016: 36).

The African environment is dynamic, and arguably one with deep uncertainties. Unstable macro-economic environment, frequent changes in regulations and government policies, recent changes in demographics, and the rapid increase in access to mobile phones have created a highly uncertain, even volatile business environment. To survive, African firms must adapt to the shifting environment; they must develop dynamic capabilities to sense the changing environment and seize the opportunities in it.

For example, Equity Bank in Kenya sensed the impact of telecommunications on the banking industry early in the day. M-Pesa, a financial product introduced by Safaricom (a telecommunications giant in Kenya) had become very popular. The senior management of Equity Bank sensed that the boundaries between financial services and telecommunications were getting blurred. Many banks were focusing on the retail segment, which had a huge percentage of the unbanked. Moving away from branches to "Your Phone, Your Bank" made sense in this environment. Equity Bank sensed this environment, interpreted it correctly, and seized the opportunity by setting up a Fintech (reconfiguring its structure).

As the environment shifts, firms in dynamic environments must be able to adapt; they may require new strategies, structures, etc. Hatum et al. (2010) argued that very long-standing or persistent capabilities that are not flexible enough to incorporate new competences and skills may evolve into core rigidities and eventually impede organizational adaptation. Efficiency in current markets and technologies, as well as flexibility and experimentation for future markets and technologies, is essential for the long-run survival of an organization, especially in an uncertain environment (O'Reilly and Tushman, 2013: 1).

Organizational ambidexterity

In the view of Birkinshaw, Zimmermann, and Raisch (2016: 37), ambidexterity is a useful complement to the dynamic capabilities framework: it clarifies the strengths and weaknesses of different organizational arrangements chosen by executives to sense and seize opportunities and reconfigure their internal activities. Ambidexterity has been positively associated with increased firm innovation, better financial performance, and higher survival rates (O'Reilly and Tushman, 2013).

Organizational ambidexterity is the ability of an organization to explore new opportunities while at the same time working diligently to exploit existing capabilities (O'Reilly and Tushman, 2004: 74). An ambidextrous organization is able to manage the present and at the same time harness opportunities that will ensure the long-run survival of the organization. Birkinshaw and Gibson (2004: 47) call these two abilities *alignment* (a clear sense of how value is being created in the short term and how activities should be coordinated and streamlined to deliver that value) and *adaptability* (the ability to move quickly towards new opportunities, to adjust to volatile markets and to avoid complacency). They emphasize that an organization must find the right balance between adaptability and alignment. Ambidexterity is one of the capabilities for cultivating and supporting radical innovation; it ensures the survival of an organization not only in the short-term, but also in the long-term. (Chang et al., 2012: 444).

If organizations in Africa are to thrive in their turbulent environments, they must do two things well: exploit current opportunities and explore future opportunities (O'Reilly and Tushman, 2013). They conceptualize exploitation as the ability to compete in mature technologies and markets where efficiency, control, and incremental improvement are needed; and exploration as the ability to compete in new technologies and markets where flexibility, autonomy, and experimentation are required. These organizations simultaneously pursue incremental innovations in their existing businesses while seeking radical innovations (radical changes) in new businesses, products, etc.

Past research has examined the question of how ambidexterity is achieved in practice. Ambidexterity can be achieved sequentially, by shifting structure; simultaneously, by establishing separate units for exploration and exploitation of opportunities, each internally aligned (O'Reilly and Tushman, 2013); and behaviourally, by creating a context that allows employees to decide how to spend their time between exploitation and exploration (Gibson and Birkinshaw, 2004). With sequential ambidexterity, the organization focuses on exploitation or exploration at different times, usually over a long period of time. No new structures are created under behavioural or contextual ambidexterity; employees are encouraged to make judgments on which activity to pursue and which to let go. Ambidexterity can also be achieved through the creation of new structures which focus on exploration while the rest of the organization concentrates on exploitation activities. However, O'Reilly and Tushman (2016: 10, 14) show that if an organization is to exploit existing assets and capabilities by getting more efficient, and provide for sufficient exploration that they take advantage of changes in markets and technologies, what is needed is not physical separation of exploitation and exploration, but a more sophisticated separation that also includes targeted integration, strong senior management support for the new business, and an overarching organizational identity. These

enable the new business to leverage the assets and capabilities of the existing business and executives can give the exploratory unit the protection and oversight it needs to succeed.

O'Reilly and Tushman (2013) highlighted two factors which may affect the choice of the type of ambidexterity: the nature of the competitive landscape and time. In stable markets, sequential ambidexterity may be appropriate to take advantage of the occasional environmental jolts. In dynamic markets, a simultaneous focus on exploitation and exploration (structural ambidexterity) may be more appropriate as firms try to resolve the conflict between the present and the future. They argue further that in dynamic markets, once the exploratory unit gains traction, it may be integrated into the exploitation structures (O'Reilly and Tushman, 2013: 330).

The antecedents of ambidexterity

Wang and Rafiq (2014: 61) argued that an organizational culture characterized by shared vision and diversity promotes contextual ambidexterity. Organizational diversity was defined as the set of organizational values and norms that encourage and tolerate differences, and recognize and reward individuals' different viewpoints, skills, and knowledge. Shared vision is the set of organizational values and norms that promote the overall active involvement of organizational members in the development, communication, dissemination, and implementation of organizational goals.

Birkinshaw and Gibson (2004: 51) found in their study of 41 business units in 10 multinational companies that supportive *organizational contexts* are associated with high levels of ambidexterity. Organizational context is characterized as performance management and social support. Performance management includes stimulating people to deliver high-quality results and making them accountable for their actions, and social support involves providing people with the security and latitude they need to perform.

Structure (the ability of an organization to develop appropriate structural mechanisms to enable it cope with the competing demands of exploitation and exploration) has also been identified as an antecedent of organizational ambidexterity (Raisch and Birkinshaw, 2008). They make the case that organizational units pursuing exploration should be small and decentralized with loose processes, while those pursuing exploitation should be larger, more decentralized, and with tight processes. According to them, it is important to make this distinction because the demands of exploration and exploitation differ. For instance, exploration may require very loose, decentralized structure where employees are free to come up with creative ideas and try them out, whereas successful exploitation of existing capabilities would require clear structure and systems and working within boundaries to achieve specific results. According to Gibson and Birkinshaw (2004), developing structural mechanisms for coping with the competing demands of alignment and adaptability aids the achievement of ambidexterity.

Several scholars have identified leadership as an important antecedent of organizational ambidexterity (O'Reilly and Tushman, 2016; Raisch and Birkinshaw, 2008; Lubatkin, Simsek, Ling, and Veiga, 2006; Gibson and Birkinshaw, 2004). Raisch and Birkinshaw, 2008 found that firms whose founding teams had diverse characteristics and experiences showed a higher degree of ambidexterity. In other words, team composition and behavioural integration (defined by Lubatkin et al., 2006: 647 as the degree of senior management team's wholeness and unity of effort) are important precursors of organizational ambidexterity. Leadership is essential in the implementation of different kinds of ambidexterity and necessary to promote a supportive organizational context (Raisch and Birkinshaw, 2008: 391; Gibson and Birkinshaw, 2004: 210). According to O'Reilly and Tushman (2016: 39), leaders must be able to help their organizations compete in mature businesses that are typically the source of today's profits by exploiting existing assets and capabilities while they prepare for the future markets by using these assets and capabilities to explore new ventures.

Summary

African markets are dynamic, even uncertain markets characterized by frequent changes in regulation, technology, demographics, etc. To remain competitive, African firms must renew themselves. This renewal may consist of incremental changes to the existing business or more transformational changes which could ensure the long run viability of the firm.

Research suggests that to succeed in today's market, organizations need to align their strategies with their structure, culture, and processes. It is this alignment that enables firms to enjoy superior profits. However, the alignment may be so tight that the organization becomes rigid and out of sync with its environment. In a dynamic, uncertain environment, organizations must build capabilities that enable them thrive in this environment. O*rganizational capabilities* are those unique internal management processes and intangible resources that enable an organization to constantly renew itself. Competences and skills may degenerate into core rigidities, which can be detrimental to the long-term survival of the firm. Firms that are careful about the capabilities they develop relative to the environment in which they operate can transform and adapt quickly in dynamic markets (Hatum et al., 2010: 258).

Dynamic capabilities are most relevant in rapidly changing, uncertain environments (Teece and Leih, 2016). They are comprised of sensing and shaping opportunities, seizing opportunities, and reconfiguring the organization's assets (Teece, 2007). According to Birkinshaw et al. (2016: 37), ambidexterity is a useful complement to the dynamic capabilities framework. Ambidextrous organizations are able to manage present conditions and create value in the short term (exploitation) while also moving quickly towards new opportunities (exploration). They explore new opportunities while at the same time working diligently to exploit existing capabilities (O'Reilly and Tushman, 2004).

Three types of ambidexterity were identified in the literature: sequential, structural, and contextual or behavioural ambidexterity. We also highlighted some antecedents of organizational ambidexterity from the literature: organizational culture, supportive organizational context, structure, and leadership (See Wang and Rafiq, 2014; Birkinshaw and Gibson, 2004; Raisch and Birkinshaw, 2008). In the next section, we discuss the case of Equity Bank, an organization that has regularly renewed itself in a dynamic environment.

Equity Bank Ltd.: a case study

Introduction

Equity Bank (hereafter called Equity) is a financial services provider with its headquarters in Kenya. It offers retail banking, microfinance, investment banking, insurance services, consulting, and other related services to its customers. It has subsidiaries in Uganda, South Sudan, Rwanda, and Tanzania. Equity began operations as a building society in 1984 and transformed to a commercial bank in 2004. As at December 31, 2015, Equity had 11 wholly owned subsidiaries and 79% of the shares of ProCredit Bank Limited in the Democratic Republic of Congo (DRC).

Equity changed the face of financial services provision in Kenya through financial inclusion giving dignity to the *mwananchi*, or ordinary Kenyan. By the end of 2015, Equity had over 10 million customers, and its customer deposits grew by 23% (Kshs 303.2 billion) in 2015. In 2015 as well, its profit before tax and exceptional items increased by 12% to Kshs 24.0 billion from Kshs 21.3 billion in 2014. Its total assets and net customer loans increased by 24% and 26%, respectively.

In 2015, Think Business Kenya awarded the Best Bank of the Year to Equity. In fact, Equity won ten of the 24 awards. The Bank also received other awards, including: *Most Innovative Bank and Best in Mobile Payments* (Banker Africa Awards); *Best Financial Services Firm, Social Corporate Category* (Social Media Awards); *CEO of the Year* and *Best Performing Company* (in the Ai40 Awards). A distinguishing feature of Equity is its commitment to the social and economic empowerment of the *mwananchi*. The evolution of the Bank can be divided into four periods each of which is characterized by a major change or transformation.

1984–1994: Equity 0.0 Equity Building Society

Equity started operations in 1984 as Equity Building Society. Its mission – the social and economic transformation of the *mwananchi*, the ordinary Kenyan – was clear from inception. As a Building Society, it aimed at empowering the lowest stratum of the society by providing them mortgage loans. This group (low-income population) was marginalized at the time; they had little or no access to financial resources. Equity removed barriers (such as minimum credit balance, limits on withdrawals) and enabled the *mwananchi* to access financial services. The company's logo, a modest house with a brown roof, signified the desire of the founders to create a better life for the people of Kenya.

With only a few branches in rural Kenya, Equity Building Society provided access to mortgage facilities. In 1993 however, Equity was declared "technically" insolvent by the Central Bank of Kenya (CBK), citing poor management and ineffective governance. But the CBK was reluctant about recommending the winding down of Equity because of the fact that the company had affected the lives of many ordinary Kenyans positively. The CBK therefore allowed the company to continue in existence after a change agent, James Mwangi, was hired as the company's Finance Director.

1994–2004: Equity 1.0 Change in business model and strategy

In 1994, Equity changed its business model and obtained a license to operate as a Micro Finance Institution. This change in business model met with a lot of success, as it addressed the real needs of Equity's customers: people wanted small loans to grow their businesses, not to buy homes. With this change, Equity was able to obtain deposits and provide short term loans to its growing clientele. The Management team articulated the mission and vision of the Bank.

Equity attracted professionals to its Board and increased its capital base. Training programmes were organized for staff and the culture of the Bank was articulated and communicated; efforts were made to ensure that all employees imbibed the new culture.

2004–2014: Equity 2.0 Legal and structural transformation and repositioning for the future

In 2004, Equity went through another major transformation: it became a commercial bank. This change involved a change in legal framework, structure, processes, etc. The Bank identified critical success factors (CSFs) for its mission and business model: an organizational culture that values people, enhances performance, and supports people; customer focus;

high-quality asset portfolio; operational efficiency and scalable operations; robust systems; maximizing value for all stakeholders; and regional expansion. Goals, targets, and measures, as well as activities, were agreed upon for each of the critical success factors, and each CSF was assigned to a director and his/her performance and contribution were measured along those lines. The CSFs enabled the alignment and execution of the company's new strategy.

Mary Wangari Wamae, the Director of Strategy, remarked:

> The biggest change was in 2004. First of all, we changed the legal form of the Company from a Building Society to a Limited Company, and then a Bank, a fully-fledged Commercial Bank. We made drastic changes to the Board of Directors. We made changes in the management. We made changes in even products and services – you know the way you deliver the service to the customer, all that changed.

Other incremental changes were made during the 2004–2014 period. The board of directors was restructured. The initial board of directors was constituted by a group of friends who shared the same vision, people who believed in the transformation of the ordinary Kenyan. Directors from reputable organizations with diverse experiences were recruited. The Board now had a truly Kenyan identity with each region in Kenya having a representative on the Board. Equity built the capacity for change in the staff by training them on the new strategy and focus.

Between 2004 and 2014, the Bank scaled up its distribution network to 170 branches in Kenya and embarked on a massive expansion into East Africa: Equity Bank Uganda was established in 2008, Equity Bank South Sudan in 2009, Equity Bank Rwanda in 2011, and Equity Bank Tanzania in 2012. It was also during this period that Equity built a network of ATMs, launched its Internet Banking platform, and began Agency Banking. It was listed in the Nairobi Stock Exchange in 2006.

In addition to the changes highlighted above, Equity changed its core banking application to Finacle – an IT solution for providing universal banking. Following the drop in mobile phone prices and an anticipated increase in mobile phone ownership, Equity began some innovations in mobile and online banking. After M-Pesa was introduced by Safaricom in 2007, Equity partnered with Safaricom to introduce M-Keso. It also began a financial supermarket strategy in 2006/7 with product offerings in insurance, investments, and custodial services.

2014 to 2024: Equity 3.0 Technology focused on emerging trends and future disruptions

In 2014, the Bank decided to converge banking and telecommunications and redefine banking. A bank became something you do, not somewhere you go. Equity launched Equitel, a revolutionary platform for performing financial transactions using a smartphone. With an Equitel SIM card, customers could send money securely to another phone, send money to a bank account, pay bills, pay for goods and services, buy airtime for Equitel and other networks, use the account to save money, get an *Eazzy* loan, and also save for a goal. The possibilities with the *My Money* feature of Equitel were many, and basically the customers' phone became his/her bank.

According to James Mwangi, the MD/CEO:

> There were two things that overtook the traditional model of banking. The first one was technology. The second was telecommunication . . . So what we decided was: what if we make the bank a Fintech? If it is technology that is moving faster than the bank, then make the bank a Fintech . . . Why don't we converge banking and telecommunication? And this is a story of making Equity a Fintech: a convergence of telecommunication and banking so that you can fully digitize and you can use telecommunication as a channel, the mobile phone as a channel delivery and you can see how well it has performed.

Mary described the new Bank:

> Equity Bank needs to become part of your lifestyle. It doesn't matter what you do. You buy insurance, shop, pay a bill, you do anything, Equity is there for you.

Equity introduced two additional critical success factors (brand protection and customer experience) in 2015 to ensure alignment of the new strategy, and is currently exploring partnerships and strategic alliances, especially in the area of big data. Equity became a group holding company in 2015 and continued its expansion by acquiring Pro Credit Bank in the Democratic Republic of Congo.

Summary

Following the development of Equity, one observes that every ten years, there is a major change (a radical innovation) followed by several incremental changes within the ten-year period (see Figure 15.1). 1984 saw the establishment of Equity Building Society. In 1994, Equity changed its business model from a Building Society to a Microfinance Institution. Between 1994 and 2004, the capital base was increased, and efforts were made to develop human capacity, build an organizational culture, and communicate the vision.

2004 was the year of legal and structural transformation and repositioning for the future, the year Equity was registered as a Commercial Bank with the capacity to carry out universal banking functions. To ensure alignment with the new strategy, the Bank identified the critical success factors for the strategy. This major change was accompanied by several legal, operational, and structural changes, as well as the introduction of mobile and online banking, and scaling up of distribution networks, ATMs, and agency banking.

In 2014, Equity Group launched Equitel and redefined banking. It identified two additional critical success factors in 2015: *brand protection* and *customer experience*.

It is pertinent to note that since its foundation, Equity's mission and vision have remained the same, even as the business was transformed. There have been changes in the organizational structure, strategy, people, and technology but its culture (which was built between 1994 to 2014) has remained the same. In the next section, we discuss strategic alignment and self-disruption as a way of life at Equity.

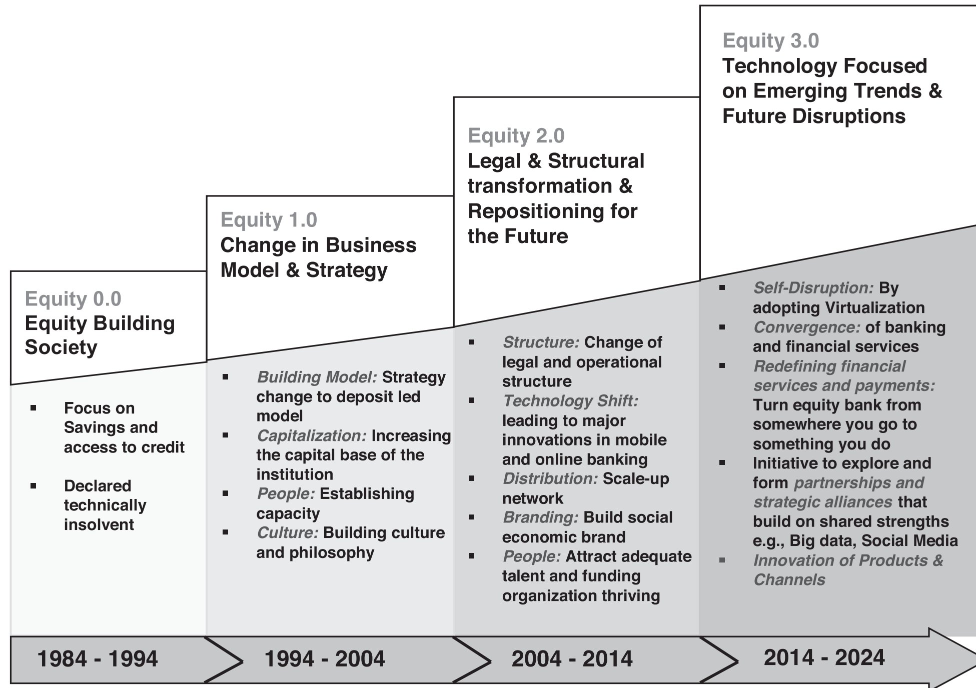

Figure 15.1 Evolution of Equity Bank

Source: Equity Bank Document

Self-disruption as a strategy

From the foregoing, it is clear that Equity has transformed in four decades from a Building Society to a Micro Finance Institution to a Commercial Bank with universal license, and to a holding company that manages several subsidiaries, including Fintech, which brings together banking and telecommunications. These radical changes happened during ten-year periods. Within each decade, Equity implemented several incremental changes or innovations. For example, during Equity 2.0 (from 2004 to 2014), many incremental changes were implemented, including online banking, M-Kesho, ATMs, and Agency Banking. The Bank also identified critical success factors for implementing the new strategy.

James Mwangi, the MD/CEO, explained why it took ten years to disrupt at Equity:

> Disruption is a massive transformation . . . It's not something you can do overnight. It requires that you change everything – board members, leadership team, systems and processes – because you are disrupting, you are looking afresh. So, if you do it frequently you will not execute the transformation fully and you'll not have thought the next disruption through.

Disruption at Equity is a deliberate, carefully planned action. The planning took about 2–5 years, and the implementation another 2–5 years. The organization tried its best to obtain sufficient data to justify the radical change and ensure that the change was not reversible or destructive.

According to the CEO, disruption can be destructive, especially for a large organization. He explained:

> You can't simply make a quick turn. You have to go to the next roundabout, and a lot of planning has to be done. To change an organization, there has to be a lot of planning and execution. It takes 3–5 years before you complete execution of disruption and then sweat for 5 years so that you get the impact. Meanwhile as you sweat, you are collecting data for the next wave of change.

According to a senior manager in the Strategy department of Equity, the Bank has a culture of renewal – deliberately shaking things up and sustaining change. He said:

> Equity Bank has a culture of renewal, a culture of change . . . We deliberately disrupt ourselves every ten years but in between, we implement a lot of changes. It is deliberate; it is critical. Everybody knows that change is going to happen irrespective of leadership; it has to happen.

Equity sees disruption as a complete cycle with different phases: planning, execution, reaping the benefits of the investment, carrying out research, validating and confirming it, consulting the stakeholders, and finally execution, and the cycle goes on. If the appropriate time frame is not given for disruption to yield its desired results before another one is implemented, the objectives may not be achieved. After all, disruption is not done for its own sake, but to create value, and creation of value takes time.

The CEO of Equity identified three major disruptive forces in the environment. Knowledge is one of the major disruptors. Another important cause of disruption is *technology*. Changes in technology could reduce the cost of operations substantially and render obsolete some products and/or services. In Equity, technology is seen as an enabler, a hygiene factor. But changes in technology cause major challenges which business must respond to if they are to survive. A new technology platform can enable a competitor do more and better things at a lower cost. In other to leverage its investments in technology, Equity sought technology that is scalable.

The environment is another source of disruption. Demographic changes, changes in regulation, consumer needs, and competitive dynamics are driving innovation, especially in developing countries. Equity does not wait for the market or the environment to change; rather, it anticipates environmental changes and thus avoids a situation where the environment changes faster than the organization. According to the General Manager of Communications:

> It's never about finding a comfort zone. We believe in self-disruption. We do not wait for the market to disrupt us; we disrupt ourselves. And that word is commonly used around here: let's disrupt ourselves. Let's not build comfort zones because the world is dynamic, the marketplace is dynamic, the consumer is dynamic. Let's not wait for the consumer to run ahead, let's run with the consumer. Let us even discern the needs of the customer and that is why the customer asks: "what is coming next?"

Strategic intent and alignment

The focus on exploration of future opportunities is what drives self-disruption at Equity. This is important for long-term survival. However, survival in the short term requires alignment of current strategy with the environment and the structure, people, culture, and operations. Alignment makes execution possible and enables value creation.

At inception, Equity Building Society's business model was not aligned: customers needed micro finance services and the firm offered mortgages. The business model was not aligned with current market realities nor with the internal systems, processes, etc. It is not surprising, therefore, that the company faltered. From 1994, special efforts at alignment were made. While the mission and vision remained essentially the same, with each transformation, efforts were made to align the new strategy with the structure, culture, and people. Critical success factors for the strategy were identified in 2004 and have not changed much in the last 20 years. Together with the mission, vision, and culture, the critical success factors (CSFs) have been the bedrock of the transformations and incremental changes at Equity.

In 2004, Equity became a commercial bank. This led to changes in the board, the organizational structure, technology, and people (with respect to experience and skills). To properly align the change, eight critical success factors were identified: an organizational culture that values people and supports the business; customer focus; operational efficiency; high-quality assets portfolio; a robust system that is scalable; maximizing value for all stakeholders; regional expansion; and customer experience.

In 2014, the organization carried out a technological revolution which required that customers do banking transactions using their mobile phones. The "Your Phone, Your Bank" strategy meant that some customers will never go to an Equity branch. This change in delivery channel required new skills. For example, customer relationship managers in the branches had to transform to SME advisors. To align the strategy, two additional critical success factors were identified: brand protection and customer experience. To build brand loyalty among these customers and to preserve its identity as an organization that cares for the social and economic wellbeing of the people, Equity aligned its Corporate Social Responsibility with its new strategy. While the branches continued to support social projects such as provision of water to communities, sports events, etc., the Equity Group Foundation carried out two high-impact programmes: the "Wings to Fly Scholarship" Programme and "Equity Leaders Programme."

Wings to Fly was launched in partnership with The MasterCard Foundation, and provides scholarships, mentorship, and leadership training to gifted students from economically disadvantaged backgrounds. USAID, KFW, and UKAID have in recent years supported the initiative. *The Annual Education and Leadership Congress* enables scholars to learn from and interact with local and international leaders. Ten thousand people are expected to benefit from the programme in the next ten years. The Equity Leaders Programme is a post-secondary programme that equips young people from across Kenya with the professional and leadership skills they need to succeed in the global marketplace. Both initiatives increased the brand awareness of Equity at the national level and brought a lot of goodwill to Equity.

According to the Director of Operations:

> Wings to Fly is across the whole country. Everywhere you go you hear people talk about Equity Bank because we are creating a new path for the society and a huge impact on the community.

A keen awareness of the environment is necessary for self-disruption and for incremental innovations. In the next section, we examine how Equity sees the future.

Environmental scanning

Self-disruption has become part of Equity's DNA. But how does the Bank know what is coming? How does it identify disruptive forces in the environment? One of the strategies for organizational renewal at Equity is environmental scanning. Town hall meetings are held at the branch

level twice every week to sample opinions and enhance communication within the organization. The Bank receives feedback regularly from customers, it also conducts research.

The tagline of Equity is the listening caring partner. The Bank is a customer-focused organization. Customers feel they have rights, that the bank exists to serve them, and this deepens their commitment to the bank. It is this sense of ownership that makes the customer walk into a branch or the head office to point out something they want to see differently, an innovation they desire to see introduced. The Director of Operations expatiated:

> We have given the bank to the customers. They feel they own the bank and this is why they say they are members, not customers. A customer can come in and say, "I don't like the way your accountants are looking" or "I don't like the way this product is designed" . . . They have that ownership because we have projected the bank as theirs so they tell us what type of bank they want to serve them.

Equity customers get involved and believe the bank is there to serve them. They make invaluable recommendations on how the bank can serve them better. Some of them even call the MD to make complaints or give suggestions.

There is also a strong feedback culture at Equity, described by the CEO as an "*open feedback loop*." Feedback matters a lot at Equity because they believe that an open feedback loop builds trust. In other words, when feedback is analyzed and properly acted on, it builds trust and confidence and opens up the path for more feedback. It is treated as very important: it is analyzed and used when, how and where appropriate. The CEO explained:

> It's important you constantly demonstrate that feedback is of value to you for people to continue to give you feedback. We always ask ourselves: How much are we adapting? How much are we synthesizing the information? The level of feedback that we get is determined by how we act on feedback. The more you act, the more you receive and the more you perfect.

The Bank also tries to anticipate customer needs. When it introduced ATMs, for instance, many customers did not want to use them even though the queues in the branches were very long. Customers preferred the personal interaction with the tellers; they were also awed by the new technology. Equity hired hawkers who joined the long queues and explained to customers the benefits of the ATM and taught them how to use the machines.

Equity recognizes that the customer is always changing. According to the Director of Strategy, the average age of Equity customers ten years ago was between 40 and 45, but today the average age is 34. These younger customers demand to be served differently. They prefer online banking to visiting physical branches, while the older generations are accustomed to personal interactions.

Increasingly, customer feedback comes from Equity's Contact Centre via voice, email, and social media platforms. The Centre is run by two very senior managers. Feedback is analyzed and reports are sent to the CEO and relevant units twice a day. Equity's social media presence is widely acknowledged in Kenya. The Bank won the national award as the *Most Committed Bank on Social Media in Kenya* in 2015.

Decisions at Equity are usually based on extensive research and information-gathering. Changes are made in response to anticipated changes in the environment (demographics, life style, the macro-economy, etc.). A research team at Equity conducts extensive research on the evolving trends in consumer behaviour and provides managers with information for decision making. Initiatives and interventions typically originate from analysis and understanding of the environment.

Equity uses scenario analysis and role-play in making choices about the future. During company retreats, employees are encouraged to imagine the future, envision possible scenarios, and act them out. This enables them immerse themselves into the future and make choices after considering the implications of the different scenarios. This is, perhaps, one of the most distinctive innovative strategies at Equity.

According to James Mwangi, the CEO,

> When we create scenarios and act them, it's fully understood, and fully internalized, and that's the essence of role-play . . . Role-play is stimulating. It helps you to simulate and see the situations and gaps, and simulation is very important before execution.

In a bid to better measure and manage feedback from the environment, Equity is moving into Big Data analysis. Analytics has helped Equity automate the credit decision process. This has made it possible for customers to obtain credit facilities through their mobile phones. The CEO expatiated:

> It is important to synthesize information given that we have 11.6 million customers. Once we do that, we have information on payment gateways, on mobile channels, etc. We are privileged to have very big data and one of the biggest data processors in the world. The question is: how do we internalize and interpret this data?

The role of the C-suite in seeing the future must be emphasized. The MD/CEO serves on several boards of directors. These boards offer him a wide range of opportunities for learning and exposure to current trends in the market and the world at large. James explained:

> I think I'm very privileged: what I initially thought were responsibilities turned out to be my most useful learning forums. I sit on the IFC high-level panel on SMEs, on the G8 Advisory Board on Inclusive Finance, G8 on SMEs, on the Advisory Board of the MasterCard, McKinsey, the Clinton Global Initiative and the Bill and Melinda Gates Foundation. I'm also on the World Economic Forum, etc. These forums have become my biggest learning forums.

James is also Chairman of Kenya's Vision2030. He speaks at business schools and interacts with professors and students. These experiences and opportunities for learning present the leadership of Equity Bank with reliable knowledge on the environment and current market realities.

Organizational purpose and culture

Equity Bank has gone through a number of transformations since it was founded in 1984. Its mission and vision however, have remained the same: to transform the lives and livelihoods of the ordinary Kenyan – the *mwananchi*:

> We exist to transform the lives and livelihoods of our people socially and economically by availing them modern, inclusive financial services that maximize their opportunities.

It is this overarching purpose that guides and informs all of Equity's activities and innovations. According to James Mwangi (who led the transformation in 1994 and has been CEO since 2004):

> We go for volume business rather than margin and are usually market ready . . . We exist to transform the lives of our people socially and economically, availing them modern financial

> services that maximize their opportunities. We are mere facilitators; facilitating how people want to live their lives. We are a catalyst of lifestyles, of maximizing opportunities and we are very inclusive: we do not discriminate.

This core identity accounts for its customer focus and is a source of motivation for the staff. The core values are captured in the acronym PICTURE, which stands for Professionalism, Integrity, Creativity and Innovation, Teamwork, Unity of Purpose, Respect and dignity for customers, and Effective Corporate Governance.

Employees learn these values very quickly. They are trained and reminded at all times to be mindful of the way they treat the customers because the customers, even the poorest of them, are the reason why Equity is in business. To an outsider, it could seem like an obsession with the customer.

In addition to the respect and dignity accorded customers, Equity has a culture of creativity and innovation, "a very daring culture of possibilities" as James Mwangi put it. The culture of creativity and innovation as well as the customer focus are arguably the major driving forces for disruption in Equity. Staff members are encouraged to be creative in the performance of their daily duties and responsibilities and to share whatever insights they may have with the management. Staff feedback is possible because the leadership is open to new ideas and suggestions. Mary Wamae, the Director of Strategy, commenting on the culture of innovation and creativity at Equity said:

> People are always asking us, "What's next? What's the next big change?" People expect something new from us. Some say, "Okay, you guys, what are you cooking now?" For us change is natural; we have made creativity and innovation part of our core values; we encourage our staff to think creatively and do things differently, serve the customer differently, think about small things that work in their area that will make a difference. In one of the branches, they decided to give roses to all our customers who walked in just to surprise them and the customers were impressed. Others decided: "Okay, today is a cold July morning, so we are going to serve a cup of tea and Mandazi to all the customers that come in and the customers were so excited."

The corporate DNA and the leadership were said to be very open to change. According to the GM Mobile Innovations:

> The CEO is a person who likes to disrupt himself creatively and positively and this has been cascaded down. From the leadership all the way down, no body resists change in this organization. If you resist, you will find yourself out without being forced out. The entire organization is open and free to change. When we say, "let's move," we move. I think the successes we have obtained from these changes have reassured our team that change is good. We have survived many disruptions: we see ahead, prepare and we change.

With respect to the last major change (Equity 3.0), he commented:

> We think like a technology company. Of course we use technology to drive the business. We don't have those barriers, you know the conventional banking, risk oriented kind of stuff that keeps you in one place. We think, we innovate and then we call in the risk people to ensure everything is okay. If there is a strong conviction that we can do it, we go for it. We bring in other supporting teams to ensure that speed is controlled, the governance is there, risk is managed.

Innovation spaces

Innovation is an essential component of organizational renewal, and Equity takes this very seriously. Effort is made to create the right spaces for innovation to thrive. This ranges from adopting the right structure for innovation, to people selection and using feedback, and building risk management into innovation.

A lot of importance is attached to building cross functional teams, which are needed to manage the innovative ideas and convert them into profitable solutions. Equity builds strong, cohesive teams comprising of people with expertise in specialized areas to lead innovations. A team is created for a specific project. Employees with a diversity of skills are identified and pulled together to drive and manage innovation. For example, once the idea of converging banking and telecommunications was accepted, a cross-functional team was set up. The team "produced" Equitel and related innovations.

The best people are put together in the team, and the team leader is not necessarily the most senior person, but the person who has the capacity to lead. People bring their knowledge and not their authority to the team.

Initiatives are broken into small task forces and people are assigned to the small teams based on their competencies. Teams define what is to be done and create and manage their own governing structure and decision making, independent of the bank. The CEO expatiated:

> We break the initiatives into small task forces based on their competence. They don't have to be taught; they just need to be explained what is expected. How they do it is theirs to define. And then you give them authority so they create their governing structure and decision making; they don't need the rest of the bank. We remove it from the normal governance structure because the normal governance structure is an operational structure; it's not a strategic structure. If you try to use the normal operational structure, you will never make strategic decisions because they are not experts in strategic initiatives. You give autonomy to the strategic initiatives to put its own governance structures and decision making and you hold them accountable.

Not only do project teams have their governance structures, they are physically separated from the rest of the Bank. For example, 50 leaders on Project Everest were moved to a hotel for several months while they worked on the project. Procedures are deliberately flexible for the innovation spaces. For example, they do not go through the normal procurement procedures; once the budget is approved, nothing is allowed to slow them down.

Equity also has a portal where staff can log in their innovative ideas and say what they want to see improved in the organization. Employees no longer have to suggest their ideas to line managers who may not take the ideas to the management meeting or execute those ideas.

People and leadership

According to James Mwangi, an organization can change as much as its people. Finding the right people, developing them, and retaining them is therefore critical to organizational renewal. Day-to-day operations as well as the innovation spaces are run by employees who graduated from the Pre-University Programme. They were the best and brightest in their divisions in the Pre-University National examination. They received a scholarship from Equity to go to university, and worked for the Bank during their gap year and during vacations while they were at university. Before they are employed by the Bank, many of them have imbibed its values and culture.

The general manager of mobile innovations, for example, started his career as a teller at Equity. He was spotted as a creative person and moved to an innovation space.

While many managers have remained in the Bank for over a decade, Equity has refreshed its senior management a number of times. Effort is made during recruitment to ensure entrants have the required skill, experience, fit with the culture and values, and belief in the organization's mission and vision. The management team is very diverse in terms of experience, background, and nationality. James Mwangi has been CEO for over a decade. He sits on several boards and brings a wealth of knowledge and experience to the Bank.

Leadership is the most critical factor that drives organizational change and renewal at Equity. James Mwangi joined Equity as the Company's Finance Director and eventually became MD/CEO in 2004. James led all the major transformations at Equity. He is said to be open to ideas and is committed to the mission and values of Equity. He said:

> I never do anything even subconsciously that goes against the values and mission of Equity.

Equity has grown from a commercial bank to a holding company with banking and non-banking subsidiaries. Each of these subsidiaries has its own management team, board, and board committees. They are all held together by a corporate office, headed by a London School of Economics-trained banker, who worked with HSBC, City Bank, and then Standard Chartered Singapore before joining Equity. He brings his wealth of experience in the financial industry to bear in the management of all the Directors of the group.

There is a diversity of experience in the senior management. Equity boasts of a diverse team: the Director of Payments is Zimbabwean; the Director of Treasury is Kenyan; the Director of Special Projects is Kenyan; the Director of Analytics was a Professor of Analytics in South Africa; the Director of Finance is Nigerian; and the Directors of Risk and Compliance and Corporate Banking are both Indians. About this diversity, James said:

> It is very important to ensure this is a globalized leadership team to test whether this culture can permit unity across races.

This culture of diversity not only serves to bring the right people with different expertise together but also harnesses the diversity of cultures and national backgrounds. The CEO described how he works with senior management:

> You have to be able to coordinate that type of talent, that type of diversity both in culture, socialization, experience, almost everything. This requires a great deal of humility. I try to create a harmonious environment for this type of people. Maybe my greatest strength is humility. In spite of my humble education, I am willing to have everybody better educated than I and yet report to me. I try to be emotionally intelligent to allow them thrive, to allow them shower me with their skills and knowledge without my feeling humiliated or inadequate . . . knowing that I also have a contribution to make.

James attributes the success of the bank partly to the quality of its management. According to him, poor quality of management is one of the major reasons why banks fail:

> Some banks burn up because you subject an MD to a Board that does not have technical experience. You need to subject him to people who are better than him technically so they can say to him "where you are going is wrong."

Discussion

The ability to implement exploratory and exploitative innovation simultaneously allows firms to meet their environment and market challenges (Jurksiene and Pundziene, 2016: 437). This may account for Equity's success over the years. Equity Bank is ambidextrous; not only does it seek an alignment of current strategies to structure, processes, culture, etc., it also explores future opportunities: it has a specific time frame for radical change, and it self-disrupts every ten years. In the first decade of its existence, Equity's strategy was not aligned externally with the needs of the customers. It offered mortgage loans while customers needed small loans to finance their businesses. This lack of alignment contributed to its near demise in 1993. The Management learned the lessons, including that of alignment. Future radical changes were followed by alignment: the Bank identified the critical success factors for the strategy and ensured that the responsibility for these factors were assigned and performance indicators agreed. This alignment to both the external and internal environment is at the core of Equity's success in the marketplace.

Equity is also flexible. It avoids what the strategy literature has termed core rigidities: the danger of being so aligned that adaptability becomes very difficult, if not impossible. Renewal, change, and flexibility seem to be in the Bank's DNA. The Equity culture is one that is comfortable with change. Members of staff have seen the benefits of change and are thus more open to it.

Equity achieves simultaneous or structural ambidexterity (O'Reilly and Tushman, 2013). The Bank simultaneously explores future opportunities and exploits current opportunities. Exploration activities are carried out in a separate structure (innovation spaces) with its own procedures, processes, and decision-making mechanisms. Exploration activities are carried out in separate units and decision making is decentralized. The top team ensures that exploration and exploitation are speaking to each other, but the procedures and structures of the Bank do not apply to the exploration unit. Thus, exploration can be carried out independently. As the General Manager of Mobile Innovations put it: employees in the innovation spaces are not constrained in their thinking. When new ideas have been conceived and developed, risk management is brought in to ensure it is doable and that risks are mitigated.

In order to ensure that innovation spaces are attractive to top talent, a career management system is in place. Employees who join an innovation space are sure of a fulfilling and attractive career after a project. Time spent in the innovation spaces is considered valuable and the Bank benefits when the incumbents return to the exploitation structures.

Equity combines structural and behavioural (or contextual) ambidexterity. Employees are encouraged to think creatively about their jobs and share their insights. Mechanisms have been created to capture these new ideas. For example, employees can log in new ideas on a portal created for this purpose. Since creativity and innovation are values of the Equity culture, there is no distinction in time between when employees carry out exploitation and exploration activities.

Behavioural or contextual ambidexterity lies in the culture of the Bank. It is not that employees decide how to spend their time between exploitation and exploration activities (Gibson and Birkinshaw, 2004); rather, they explore in the context of their exploitation activities.

Accounting for ambidexterity at Equity Bank

Sensing opportunities

Equity has many antennae for sensing the environment and seeing the future. In addition to a well-staffed research unit, it has developed ways to listen to the customer and use the insights obtained to innovate. Customers regularly give feedback to the organization. There are instances

of customers who went to the head office to see James Mwangi to give him feedback directly. Employees know that suggestions are not only encouraged, but feedback is given on how the Bank is using these suggestions. Environmental scanning has been identified as one of the capabilities required to adapt under turmoil (Hatum et al., 2010). In an environment where obtaining data is difficult and people are overly optimistic, Equity obtains reliable data for decision making. They often ask themselves: what could go wrong? In the African culture with its high external locus of control, this question is not often asked, and is not easy to face the harsh reality. Yet, confronting reality is important for successful innovation.

Seizing opportunities and reconfiguring

In order to seize opportunities in the market, Equity uses innovation spaces to explore new ideas and develop new products. Task forces or project teams are moved out of the head office to outside locations; sometimes they spent months in a hotel. By separating them physically, innovators are able to focus on the task at hand. They are also shielded from the normal organizational procedures and hierarchy. Innovators are sure of their career paths; they often go back to the Bank with more skill and experience and into higher responsibilities. Therefore, while on the project, they have no cause to worry about their future.

Equity draws from its wealth of financial resources to implement innovations. With a consistent growth in profit over the years (profit grew by 12% in 2015 and Return on Equity and a Return on Assets of 25.5% and 4.5% respectively), Equity Bank is able finance its growth: it is able to invest in several initiatives and continue is expansion. It has developed a history of taking innovations to market. This encourages even more creativity and innovation.

According to Uhlaner, van Stel, Duplat, and Zhou (2013), knowledge is at the heart of change; without new knowledge, it is impossible to innovate. Equity Bank hires the best graduating students through its pre-university programme. Employees are socialized into the Equity Culture. Exposure through training, mentoring, and learning journeys to other countries are encouraged. James Mwangi is considered a trainer and coach, especially to the branch managers. Senior management is a very diverse team of talent, experience, nationality, etc. New knowledge is acquired, created, and utilized in the organization. According to the MD, an organization changes as fast as its people; if the people do not have new knowledge, new insights, it is impossible to change.

While Equity Bank has seven corporate values, two in particular make renewal and self-disruption possible: strong customer focus, and creativity and innovation. These values have been embedded in the Bank. O'Reilly and Tushman (2013) noted that ambidexterity can be achieved through a supportive organizational context that encourages creativity and innovation among employees. Self-disruption and renewal are built into the DNA of the Bank. Both staff and customers want to see the next big thing. The fact that change has brought a lot of benefits for the Bank has reinforced the belief that change is necessary and is good. There is consequently some pressure for innovation and change.

Perhaps the most important reason for organizational renewal at Equity Bank is the leadership. Innovation spaces or physical separation of innovation units may not be enough to encourage flexibility (O'Reilly and Tushman, 2016). In fact, while some new businesses have been created, such as the Investment, Custodial, and Insurance businesses, the major innovations or disruptions at Equity Bank have been changes to the Bank itself. Senior management support for the new business and an overarching organizational identity were indispensable for successful renewal.

Equity bank is ambidextrous because the leadership supports it. The leadership makes it possible for both exploitation and exploration to exist side by side. In other words, the company is not just focused on efficiently exploiting existing capabilities, but also on exploring

new opportunities through self-disruption. James has been at the centre of the organization's conscious self-disruption every ten years, and he has encouraged the staff to imbibe it such that everyone knows and expects a major disruption every ten years. This is in addition to the incremental changes that occur during the course of the ten-year period.

While the Equity culture facilitates change, senior management makes serious efforts to win commitment to the changes. For example, during the implementation of Equity 3.0 (the convergence of banking and telecommunication), the CEO and the senior managers went to all the branches to sensitize the members of staff on the change and what is expected of them. Employees had the opportunity to ask questions and make suggestions, some of which were incorporated into the change plan. Needless to say, they felt engaged, involved, and there was buy-in. According to the Director of Operations:

> You can't move with speed, if you are not moving with everyone. So, when we decide to change, we rally our teams. We do a lot of training of our managers on leadership skills so they can inspire their staff to do what is required. James spends a lot of time training them on leadership, culture, and the corporate philosophy of the organization. So, there is a lot of involvement and a lot of training so that whatever we want to do, we do it as a team, we do as an organization.

James' ability to connect emotionally with the staff is another reason for the success of change initiatives. Sometimes, he draws on the emotional bank account, telling the employees "you can't let me down." He commented on the leader-follower relationship:

> One of the things I've understood about leadership is that it is a privileged position, but privileges go with expectations. You are entitled to those privileges if you are delivering on the expectations of the position. Anytime there is a disconnect, leadership is destroyed in the eyes of the followers. We are willing to follow you, but we have expectations of you to deliver to us. And one of the things that I have really understood about leadership is that if you do not win the trust of your followers, you're not going to be followed.
>
> The second thing is that they must see your capability to take them to the destination. If you don't have capability, they will not follow you. And it is demonstrated capability. They will only follow if they know you care about them and have their interest deep in your heart. If they know this, they'll follow without first of all sitting down to deliberate on what is there for me. They know they'll be taken care of. And lastly, values help a leader out. Values make you predictable; ability can be ascribed to you based on the values, trust can be bestowed on you based on values.

Implications

An interesting research question in the organizational change literature is: why do some organizations renew themselves and others do not? This question is particularly relevant in Africa, where few organizations make the transition from small to medium and then large organizations, and where many firms fail or remain marginal. Organizational renewal is particularly important in Africa if organizations are to survive beyond the first generation, and change is of huge importance for survival in an uncertain environment.

Organizations in Africa must build dynamic capabilities (including the capability for resolving tensions between the present and the future) to thrive in this environment. Equity Bank has developed ambidextrous capabilities which no doubt account for its success in the marketplace.

The case study shows that African organizations must think alignment and flexibility at the same time; they must think today and the future; they must be ambidextrous.

To survive this dynamic environment, organizations in Africa need to do two things well: ensure alignment of strategy with the internal and external environment, and develop capabilities for sensing and seizing the future (Teece, 2007). First, the business model should be aligned with the organizational structure, culture, and processes. As the strategy changes, it is important to re-align: for example, new structures may have to be introduced and they have to be aligned. The values of the culture should be examined for alignment with strategy.

While alignment is important for survival, in a dynamic environment, alignment alone may become dangerous: flexibility and adaptability are critical. African organizations must develop capabilities for sensing and seizing the future. Environmental scanning is a discipline that enables an organization anticipate the future: how will consumer tastes change in the future? What demographic changes are taking place and what are the implications for the business? Which regulations are likely to change or be enforced in the future and what is the likely impact of this on the business? What are competitors or would-be competitors doing that could significantly change the industry dynamics? An organization that can anticipate the future is better positioned to seize it. As they sense opportunities, they test hypotheses and place bets (Harreld et al., 2007: 23).

However, the ability to see the future is often constrained by attachment to the status quo (Ovadje, 2014). There is a need to look at decision-making and resource allocation processes which may be biased towards the status quo; the new and the untried may threaten some constituencies in the organization and slow down investment in innovation.

In the Equity case study, ambidexterity was achieved through the setting up of autonomous, structurally separate units for exploration (Tushman and O'Reilly, 1996) while the rest of the organization continued exploiting current opportunities and introducing incremental changes. The innovation teams had independent decision-making processes, were very decentralized, and old authority structures were replaced with knowledge structures. The MD showed strong commitment to the exploration units. The case also showed that ambidexterity can be achieved in more than one way. Equity used both: structural and behavioural ambidexterity.

Organizations in Africa should consider both structural and behavioural ambidexterity. The latter helps shield the exploratory unit from the rest of the organization and, with the right leadership, can ensure the units have the independence they need to pursue innovative ideas. Employees could be encouraged to think of new ideas and their suggestions can be captured by the innovation teams.

An organization that seeks to develop dynamic capabilities should consider whether or not it has the enabling environment for their development. The Equity case shows some characteristics of this environment: people, culture, and leadership. This begins with finding the right people – talent. This is challenging in the African environment, given the paucity of talent due mainly to the educational system. Organizations like Equity choose the best candidate and over a number of years induct them before even offering them a job. In this environment, finding the right talent and getting them ready to perform are a necessary condition for success. After all, the organization can be innovative if its employees are knowledgeable, exposed, and constantly updating their knowledge base.

Organizational culture is a strong enabler of ambidexterity. Respect and dignity for the customer and creativity and innovation are some of the values of the Equity culture. If customers feel ownership rights over the organization and have fierce loyalty to it, they are likely to give feedback to the organization which it can use to renew itself. A culture of openness, of candour, of customer obsession is likely to create the environment for ambidexterity. The Equity case

suggests that innovation must be part of the organizational culture and not an add-on. While a time frame for self-disruption puts some pressure on the organization to innovate, the length of time required for innovation will vary. It is, however, necessary to have tentacles constantly open to sense the environment. A culture of innovation, of continuous renewal keeps organizations supple and responsive (Teece and Leih, 2016: 9).

What holds the ambidextrous firm together? From the Equity case study, it is the organizational mission and the leadership that holds the firm together. Equity has transformed itself several times, but has remained true to its mission of social and economic transformation of the poor since its inception. Organizations need missions that are worth committing to. These missions serve as a rallying cry or force for employees. The customer is at the heart of Equity's mission. It is not surprising that innovation to better serve the customer is one of the values of Equity's culture. Organizations that recognize the centrality of the customer and align strategies, structures, and processes around serving the customer are likely to be more successful in building dynamic capabilities.

Finally, the role of leadership in providing an enabling environment for the achievement of ambidexterity cannot be overemphasized. How comfortable leaders are with managing the current business while exploring future opportunities may determine an organization's ability to survive in dynamic environments. Leadership must recognize the need to manage the present and the future; they must themselves be ambidextrous. They must support the exploration structures while ensuring that there is alignment of the current strategy to the structure, culture, and processes.

A strong focus on the mission and vision of the organization is necessary. The leader galvanizes the efforts of all employees towards the achievement of the mission. He helps the organization see the benefits of ambidexterity to the customer, the employees and the shareholders. To do this, the leader must be trusted by his or her followers and must have demonstrated capacity to lead them into the future.

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